

ETHICAL BEHAVIOR IS GOOD BUSINESS

Ethical business practices include assuring that the highest legal and moral standards are observed in your relationships with the people in your business community. This includes the most important person in your business, **your customer**. Short term profit at the cost of losing a customer is long term death for your business.

A reputation for ethical decisions builds trust in your business among **business associates and suppliers**. Strong supplier relationships are critical to a successful business. Consider the problems you might have if you could not supply what the customer needs...at the time that they need it.

The entrepreneur is the role model for **employees**. If your behavior includes lying to customers, taking money out of the cash register, or taking home some of the inventory or supplies, you cannot be surprised if your employees follow your lead. Your family members may see the business as their own and take things that really belong to the business. Employees may see this as being dishonest, or as a conflict with their needs for a raise in pay.

The **community** expects your business to operate in an ethical manner that enhances the image of the community as a whole. If you are located in a mall, for example, your code of ethics will help or hinder customer traffic for the other businesses too. A reputation for telling customers anything they want to hear, regardless of the truth, eventually hurts your business and other businesses around you. It usually isn't illegal to lie to customers, but it isn't good business.



Ethical behavior is merely making **good business decisions** based on an established “code of ethics”. Entrepreneurs should establish a written code of ethics that can serve as a framework for decisions to be made by the entrepreneur as well as the employees. In developing this code of ethics you should consider the following items:

- * Identify your general principles that would lead to fair business practices
- * Check with your industry association for basic standards to review
- * Allow for the fact that ethical questions do not always have a unique, faultless answer.
- * Write out specific statements that will assist you and others in making day-to-day ethical decisions.

- * Apply your code of ethics to a written policy and procedure manual identifying the major rules for operating your business.

Train your employees (and family members) to make ethical decisions about the business. Your code of ethics will apply to all types of business operations including the following. What others can you add to this list?

- * Handling cash and checks from customers
- * “Negotiating” special prices for a friend without permission
- * Accepting gifts from suppliers and business associates
- * Selling damaged merchandise
- * Warranties on products
- * Merchandise return policies for customers
- * Returning merchandise to suppliers
- * Handling shoplifters
- * Accounting procedures for cash sales
- * Employee theft
- * Insurance coverage adequate to protect the business and employees
- * Supporting your advertising promises
- * Checking in merchandise when received from suppliers
- * Keeping the premises clean and free from harmful substances or germs.
- * Handling employee performance problems
- * Telling customers the truth

USE DECISION-MAKING SKILLS for ETHICAL DECISIONS

The day-to-day operations of a business require everyone to make decisions all the time. Practice in developing a code of ethics and then applying it to situations is important to establishing an ethical business image. Consider how the decision-making process will help you improve the success of your business:

- 1. Define the problem** requiring a decision. Often we jump to conclusions about a situation without even taking time to clarify the problem
- 2. Consider alternative solutions to the problem.** There is always more than one solution to any problem. Practice thinking about possibilities before taking action.
- 3. Identify the consequences of alternative solutions.** There are many different consequences possible for choosing different alternatives. Entrepreneurs need to think about both the short-term and long-term consequences likely to result from their decisions.
- 4. Collect information** if you do not have enough to make the right decision. This is where a company policy and procedure guide may help employees check out their approach to a problem.

GROUP ACTIVITY

Ask the class to form small groups of about 8 persons to work on ideas for ethical decision-making. Provide them with information about a business to use for the activity. This could be a local business, a business idea of your choice or theirs, or a business plan sample that they have been working with in the class. Ask each group to do the following:

1. Identify problems the entrepreneur might encounter in running this business in an ethical manner.

2. Develop a 10-point code of ethics for the business.
3. Discuss policies and procedures appropriate for this business that would support the code of ethics.
4. List as many ethical problems as possible that might be faced by employees during a normal work day. Discuss the possible solutions for the problems. Consider how a procedure guide might help employees to make the best decisions.
5. Members of the group should then role-play the process of handling an ethical issue with a customer, with a supplier, with a competitor, and with the son of the owner. Discuss the results of the role-playing exercise. If necessary you may want to modify your code of ethics at this time.
6. Each group should present their code of ethics to the class and discuss major outcomes of their discussion.